Financial Statements and Supplemental Information

Benjamin Franklin Institute of Technology

June 30, 2019 and 2018

MHM

BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY

Financial Statements, Supplemental Information and Reports Required Under Government Auditing Standards and the Uniform Grant Guidance

Table of Contents

Financial Statements:

Independent Auditors' Report	1-2
Statements of Financial Position	3
Statements of Activities	4-5
Statement of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8-21

Supplemental Information:

Schedule of Expenditures of Federal Awards	22
Notes to the Schedule of Expenditures of Federal Awards	23

Reporting Under Government Auditing Standards:

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	24-25

Reporting Under the Uniform Guidance:

Independent Auditors' Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	26-28
Schedule of Findings and Questioned Costs	29-32
Corrective Action Plan and Summary Schedule of Prior Audit Findings	33-38

Mayer Hoffman McCann P.C.
500 Boylston Street ■ Boston, MA 02116
Main: 617.761.0600 ■ Fax: 617.761.0601
www.cbiz.com/newengland

Independent Auditors' Report

The Board of Trustees
Benjamin Franklin Institute of Technology
Boston, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of Benjamin Franklin Institute of Technology (the "Institute"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, the statement of functional expenses for the year ended June 30, 2019, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Benjamin Franklin Institute of Technology as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2019, the Institute adopted Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities, Presentation of Financial Statements of Not-for-Profit Entities.* Our opinion is not modified with respect to this matter.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2019 on our consideration of the Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Institute's internal control over financial reporting and compliance.

Mayer Hoffman McCann P.C.

November 15, 2019
Boston, Massachusetts

BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY

Statements of Financial Position

June 30,

	2019	***2018***
Assets		
Cash	$ 1,342,779	$ 156,401
Investments	131,328	2,343,178
Tuition and fees receivable, net of allowance for doubtful accounts of $160,000 and $100,000 at June 30, 2019 and 2018, respectively	330,621	418,094
Other receivables	147,716	227,266
Pledges receivable, net	2,001,961	2,411,861
Prepaid expenses and other assets	140,974	215,425
Property and equipment, net	2,351,503	2,479,179
Total assets	**$ 6,446,882**	**$ 8,251,404**
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 1,139,089	$ 993,208
Deferred revenue	221,432	325,077
Note payable and capital lease	4,283,410	2,894,939
Total liabilities	**5,643,931**	**4,213,224**
Net assets:		
Without donor restrictions	(5,403,258)	(2,818,807)
With donor restrictions	6,206,209	6,856,987
Net assets	**802,951**	**4,038,180**
Total liabilities and net assets	**$ 6,446,882**	**$ 8,251,404**

See accompanying notes to financial statements.

BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY

Statement of Activities

Year Ended June 30, 2019
(with comparative totals for 2018)

	2019			*2018*
	Without Donor Restrictions	*With Donor Restrictions*	*Total*	*Total*
Revenues:				
Tuition and fees revenue (net of scholarships of $2,839,086 and $2,637,655 in 2019 and 2018, respectively)	$ 7,049,046	$ -	$ 7,049,046	$ 7,442,212
Auxiliary enterprises	430,302	-	430,302	454,564
Student provisions	799,785	-	799,785	793,743
Contributions	1,200,280	1,459,047	2,659,327	4,087,288
Releases from restrictions	2,109,825	(2,109,825)	-	-
Investment return	41,371	-	41,371	334,461
Total revenue	**11,630,609**	**(650,778)**	**10,979,831**	**13,112,268**
Expenses:				
Program service	9,888,757	-	9,888,757	8,756,340
Management and general	4,052,031	-	4,052,031	3,867,707
Fundraising	274,272	-	274,272	185,313
Total expenses	**14,215,060**	**-**	**14,215,060**	**12,809,360**
Change in net assets from operations	**(2,584,451)**	**(650,778)**	**(3,235,229)**	**302,908**
Non-operating expenses	**-**	**-**	-	**194,179**
Total change in net assets	**(2,584,451)**	**(650,778)**	**(3,235,229)**	**108,729**
Net assets, beginning of year	(2,818,807)	6,856,987	4,038,180	3,929,451
Net assets, end of year	**$ (5,403,258)**	**$ 6,206,209**	**$ 802,951**	**$ 4,038,180**

BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY

Statement of Activities

Year Ended June 30, 2018

	2018		
	Without Donor Restrictions	***With Donor Restrictions***	***Total***
Revenues:			
Tuition and fees revenue (net of scholarships of $2,637,655 in 2018)	$ 7,442,212	$ -	$ 7,442,212
Auxiliary enterprises	454,564	-	454,564
Student provisions	793,743	-	793,743
Contributions	1,568,822	2,518,466	4,087,288
Releases from restrictions	1,039,667	(1,039,667)	-
Investment return	27,611	306,850	334,461
Total revenue	**11,326,619**	**1,785,649**	**13,112,268**
Expenses:			
Program service	8,756,340	-	8,756,340
Management and general	3,867,707	-	3,867,707
Fundraising	185,313	-	185,313
Total expenses	**12,809,360**	**-**	**12,809,360**
Change in net assets from operations	**(1,482,741)**	**1,785,649**	**302,908**
Non-operating expenses	**194,179**	**-**	**194,179**
Total change in net assets	**(1,676,920)**	**1,785,649**	**108,729**
Net assets, beginning of year	(1,141,887)	5,071,338	3,929,451
Net assets, end of year	**$ (2,818,807)**	**$ 6,856,987**	**$ 4,038,180**

BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY

Statement of Functional Expenses

Year Ended June 30, 2019
(with comparative totals for 2018)

	2019				2018
	Program Services	***Management and General***	***Fundraising***	***Total***	***Total***
Salaries and wages	$ 5,599,853	$ 1,493,795	$ 139,547	$ 7,233,195	$ 6,853,093
Employee benefits	818,701	332,153	16,025	1,166,879	1,089,704
Payroll taxes	406,373	101,272	9,967	517,612	489,569
Fees for services	387,731	848,218	50,825	1,286,774	1,266,486
Advertising and promotion	76,163	389,258	8,098	473,519	563,315
Information technology	291,993	1,045	2,904	295,942	190,898
Travel	30,220	2,857	37	33,114	15,230
Conferences, conventions and meetings	39,307	16,316	1,290	56,913	17,379
Interest	2,436	167,842	-	170,278	166,042
Depreciation and amortization	218,190	58,204	5,437	281,831	387,153
Insurance	148,294	39,558	3,695	191,547	132,323
Student provisions	696,340	188	-	696,528	635,406
Other	693,023	409,931	30,164	1,133,118	517,478
Utilities	252,122	67,255	6,283	325,660	266,265
Equipment rental/maintenance	228,011	124,139	-	352,150	219,019
Total functional expenses	**$ 9,888,757**	**$ 4,052,031**	**$ 274,272**	**$ 14,215,060**	**$ 12,809,360**

BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY

Statements of Cash Flows

Years Ended June 30,

	2019	***2018***
Cash flows from operating activities:		
Change in net assets	$ (3,235,229)	$ 108,729
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	281,831	387,153
Net realized and unrealized gains on investments	(54,754)	(305,138)
Change in allowance for uncollectible tuition receivables	60,000	(120,000)
Change in allowance for uncollectible pledge receivables	(13,684)	11,142
Change in contributions receivable discounts	(23,616)	36,242
(Increase) decrease in certain assets and liabilities:		
Tuition and fees receivable	27,473	(190,679)
Other receivables	79,550	188,496
Pledges receivable	447,200	(1,656,950)
Prepaid expenses and other assets	74,451	(112,839)
Accounts payable and accrued expenses	145,881	(196,916)
Deferred revenue	(103,645)	143,077
Net cash used in operating activities	**(2,314,542)**	**(1,707,683)**
Cash flows from investing activities:		
Purchase of investments	(83,396)	(29,323)
Proceeds from sale of investments	2,350,000	1,500,000
Purchase of property and equipment	(154,155)	(188,589)
Net cash provided by investing activities	**2,112,449**	**1,282,088**
Cash flows from financing activities:		
Payments for financing fees	(119,223)	-
Proceeds from note payable	1,611,223	1,500,000
Payments made on note payable and capital lease	(103,529)	(1,597,916)
Net cash provided by (used in) financing activities	**1,388,471**	**(97,916)**
Net increase (decrease) in cash	**1,186,378**	**(523,511)**
Cash, beginning of year	156,401	679,912
Cash, end of year	**$ 1,342,779**	**$ 156,401**
Supplemental disclosures:		
Cash paid during the year for interest expense	$ 170,278	$ 166,042
Non cash transaction in connection with debt refinancing	$ (2,778,109)	$ -

See accompanying notes to financial statements.

Note 1 - Nature of Organization

Benjamin Franklin Institute of Technology (the "Institute") is a non-profit college serving students primarily from the Greater Boston area. It has a unique history in how the Institute was formed which was via a trust established by Benjamin Franklin in collaboration with the City of Boston. To this day, the Mayor of the City of Boston or his designee is a member of the Board of Trustees.

The Institute is committed to student success and career preparation leading to the Associate in Science degree, the Bachelor of Science, a certificate and non-credit programs in engineering technology, industrial technology, and related fields. The Institute currently enrolls approximately 600 students most of whom receive grants or loans via various student financial aid programs sponsored by the United States Department of Education ("DOE") which facilitates the payment of a very substantial portion of the costs students incur at the Institute. The Institute also receives important annual contributed support. The Institute strives to empower and inspire every student to reach his or her full potential, through industry-informed curricula, hands-on learning, and personalized support, producing graduates fully prepared for work, life-long learning and citizenship.

The Institute is accredited by the New England Commission of Higher Education, Inc. The Institute's accreditation status is subject to certain operating and reporting requirements and such accreditation is required to participate in DOE financial aid programs. In addition, the Institute is subject to various participation requirements as well as oversight by the DOE. See Note 11 for further information on DOE matters.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America which requires that information regarding its financial position and activities are reported based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for general use and not subject to donor restrictions. Net assets without donor restrictions also include investment in property and equipment, net of accumulated depreciation and amortization and related debt obligations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time, the events specified by the donor or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Note 2 - Summary of Significant Accounting Policies (Continued)

Cash

The Institute considers as cash any highly liquid debt instruments with maturities at date of purchase of three months or less. Cash is reported at cost plus accrued interest. Cash held by investment managers are considered part of investment given the expectation of near term reinvestment. The Institute maintains cash balances at financial institutions which, at times, may exceed federally insured limits. The Institute monitors its exposure associated with cash and has not experienced any losses in such accounts.

Investments

Investments are reported at fair value. Fair value is determined as per the fair value policies described later in this section. Net investment return (loss) is reported in the statements of activities and consists of interest, dividend income, realized and unrealized capital gains and losses, less external investment expenses.

Fair Value Measurements

The Institute reports certain assets and liabilities at fair value on a recurring and non-recurring basis depending on the underlying accounting policy for the particular item. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Recurring fair value measures include the Institute's investments. The standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the Institute to classify recurring fair values of financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique as follows:

> *Level 1* – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on a stock exchange.
>
> *Level 2* – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
>
> *Level 3* – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Note 2 - Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument, as well as the effects of market, interest and credit risk. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements.

Tuition and Fees Receivable

Tuition and fees are stated at unpaid balances, less an allowance for doubtful accounts. The allowance is calculated based on past experience in collecting student obligations giving consideration to the semester when such were incurred, payment plans and other factors.

Pledges Receivable

Pledges receivable are reported at fair value on the date the promise is verifiably committed. Pledges receivable that are expected to be collected within one year are recorded at their net realizable value. Pledges receivable that are expected to be collected beyond one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using an interest rate commensurate with the risks involved and the time duration at the time the pledge is received. This is considered a Level 2 fair value method as described elsewhere in these polices.

Property and Equipment

Property and equipment are recorded at cost at the date of acquisition or at fair market value at the date of the donation when the item has a useful life in excess of one year. Donated property and equipment uses Level 3 fair value methods as described elsewhere in these policies. Management applies a capitalization threshold of $5,000 with depreciation expensed on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term when applicable.

Deferred Revenue

Deferred revenue includes deposits for events, advance payment of tuition for upcoming semesters, and unearned tuition and fees associated with ongoing instruction not yet earned.

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Operations

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Investment returns are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets, such as the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, are reported as "releases from restrictions" between the classes of net assets.

Tuition, fees, auxiliary and student provisions are reported as revenue as earned. Accordingly, for programs in process at year end, revenue is recorded based on the earned amount based on the duration of the program with the remaining amount being reported as deferred revenue. Scholarships are accounted for as a reduction in revenue on a ratable basis over the period of delivery of the program or as a fringe benefit expense in the case of scholarships provided to employees.

Contributions are reported as revenue when verifiably committed. Amounts are reported as with donor restrictions or without donor restrictions based on the existence or absence of donor-imposed stipulations. Conditional contributions are not reported as revenue until the conditions have been met. Pledge intentions are not recorded as revenue or assets.

Advertising and Promotion

Costs for advertising and promotion are expensed as incurred. Such expense totaled $328,748 and $490,365 for the years ended June 30, 2019 and 2018, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and the administration of the Institute have been summarized on a functional basis in the statements of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Costs that are identified with a specific functional area are coded directly to expenses by function. Other costs that cannot be identified directly are allocated between functional areas based on a full-time equivalent (FTE) method. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Institute is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code, as amended (the "Code"), and is generally exempt from both Federal and state income taxes.

Note 2 - Summary of Significant Accounting Policies (Continued)

Uncertain Tax Positions

The Institute accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. The Institute has identified its tax status as a tax exempt entity and its determinations of which income items are related or unrelated as its only significant tax positions; however, the Institute has determined that such tax positions do not result in an uncertainty requiring recognition. The Institute is not currently under examination by any taxing jurisdictions and considers further tax disclosures as not significant. The Institute's Federal and state tax returns are generally open for examination for three years following the date filed.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncement

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities, Presentation of Financial Statements of Not-for-Profit Entities.* The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Institute has adjusted the presentation for all periods presented, however such reclassifications had no effect on changes in net assets.

Subsequent Events

The Institute has evaluated subsequent events from the date of the financial statements through November 15, 2019, the date at which the financial statements were authorized to be issued. On September 30, 2019, the Institute closed on the purchase of property for $6,000,000 plus closing costs to construct a new campus in Boston. As further noted in Note 3, after year end the School executed a purchase and sale agreement to sell its real estate for proceeds of approximately $65,000,000, of which $10,000,000 was received in the form of a non-refundable deposit. The Institute also updated its loan agreement as per Note 7 on September 9, 2019.

Note 3 - Liquidity and Availability

The Institute regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Institute has various sources of liquidity at its disposal, including cash and its existing bank arrangements. In addition, the Institute is also working to create further liquidity relative to its real estate, including the receipt of a $10,000,000 non-refundable security deposit after year end, as discussed in Note 2. Management is seeking to close this transaction as soon as practicable and will continue to occupy the premises while it constructs a replacement facility in Boston's Roxbury neighborhood on property acquired after year end (see Note 2). Management expects there will be a significant net new infusion of liquidity well above the cost of the replacement facilitates which will provide the needed resources to support its cash needs in the near and intermediate term. The Institute is also seeking to become cash flow positive over a longer period of time via increased fundraising efforts and improved operating results from the educational enterprise. Management may also consider long-term financing on its new facility which would provide a greater liquidity reserve through what would then be a larger quasi-endowment than if financing is not used on the new facility. Management and the board also are open to other opportunities that would otherwise preserve and enhance the ability to continue to provide the opportunities for the community of learners that the Institute is best known for supporting.

Based on the above, the Institute believes is has sufficient liquidity to fund operations.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, management considers all expenditures related to its ongoing program activities as well as the conduct of services undertaken to support those activities to be general expenditures.

As of June 30, 2019, the following table shows financial assets available within one year of the balance sheet date to meet general expenditures:

Financial assets available to meet general expenditures over the next 12 months:	
Cash	$ 1,342,779
Tuition and fees receivable	330,621
Other receivables	147,716
Pledges due in one year	856,100
Investments available	12,285
Total financial assets available to meet general expenditures over the next 12 months	**$ 2,689,501**

The Institute has $1,610,668 of additional borrowings available per the Agreement (see Note 7) to fund operations over the next twelve months. The Institute has also received a $10,000,000 non-refundable deposit after year end as part of the sale of its existing real estate (see Note 2).

Note 4 - Pledges Receivable

Pledges receivable are summarized as follows as of June 30:

	2019	*2018*
Unconditional promises expected to be collected in:		
Less than one year	$ 856,100	$ 722,100
One year to five years	1,185,300	1,766,500
	2,041,400	2,488,600
Less: Unamortized discounts and reserve for uncollectibles	(39,439)	(76,739)
Pledges receivable, net	**$ 2,001,961**	**$ 2,411,861**

Note 5 - Investments

The portfolio of investments was valued using Level 1 methods and was comprised of the following at June 30:

	2019	*2018*
Money market funds	$ 131,328	$ 25,072
Equity and equity funds	-	2,318,106
Total investments	**$ 131,328**	**$ 2,343,178**

Investment return was $41,371 and $334,461 for the years ended June 30, 2019 and 2018, respectively.

On October 6, 2017, the Institute gained approval from the Supreme Judicial Court of the Commonwealth of Massachusetts in order to borrow from its endowment (“Endowment Loan”). The terms of this approval allowed the Institute to borrow up to $3,100,000 from the endowment while providing a mortgage security interest in all structures which comprise its current premises, along with any related furniture, equipment and other goods to secure repayment. Interest is to accrue at 10% per annum. Interest only payments commenced in September 2018 and semi-annual payments of principal and interest will commence on September 30, 2021 (see Note 8). As of June 30, 2019 and 2018, $3,100,000 and $1,500,000, respectively, was drawn down under this arrangement which had the effect of reducing investments.

Note 6 - Property and Equipment

Property and equipment were as follows at June 30:

	2019	*2018*
Land, buildings and improvements	$ 6,600,317	$ 6,614,148
Construction in process	75,342	-
Computers and other equipment	3,259,796	3,167,152
	9,935,455	9,781,300
Less: Accumulated depreciation and amortization	7,583,952	7,302,121
Property and equipment, net	**$ 2,351,503**	**$ 2,479,179**

As indicated elsewhere in these notes, the Institute is in the process of selling its existing facility with plans to replace those premises with a new campus in another location. Given the sale will be subject to a leaseback while the new facility is constructed, such assets continue to be included as land, buildings and improvements rather than assets held for sale given that it continues to be used in operations. Construction in process cost relates to the initial cost incurred in connection with the planned new facilities.

Note 7 - Note Payable and Capital Lease

On June 27, 2019, the Institute entered into a revolving loan agreement (“Agreement”) with a financial institution that provided up to a total of $12,000,000 in revolving credit of which $2,778,109 was used to pay off the Institute’s existing note payable agreement which it maintained with a separate financial institution. The Agreement is secured by a mortgage, security agreement and assignment in certain property owned by the Institute and bears interest at a fixed rate of 4.9% with a maturity date of June 27, 2022. The Agreement was modified on September 9, 2019 to allow up to $6,000,000 of the revolving credit to be used towards the acquisition of property in connection with the new campus. That acquisition was closed on September 30, 2019, and such amounts were drawn down as discussed in Note 2.

Borrowings under this agreement amount to $4,389,332 netted with loan issuance costs of $119,223 as reported on the accompanying statement of financial position at June 30, 2019.

The Institute is also obligated under a capital lease for certain equipment running through 2019 which lease has a remaining obligation of $13,301 and $41,929 as of June 30, 2019 and 2018, respectively.

Note 7 - Note Payable and Capital Lease (Continued)

The net book value of assets was approximately equal to the remaining obligation under the lease at year end as of June 30, 2019 and 2018.

Interest expense was $170,278 and $166,042 for the years ended June 30, 2019 and 2018, respectively.

In addition, as more fully described in Note 5, the Institute maintains an internal loan from its endowment which has been used to fund operations. The borrowing under this arrangement amounted to $3,100,000 and $1,500,000 at June 30, 2019 and 2018, respectively. It is expected that upon sale of the building that this obligation will be paid off by redepositing this amount plus accrued interest into the investment accounts of the Institute. The obligation to the endowment fund is eliminated in consolidation so the assets of the investments and obligations to the endowment type funds is not presented within the statement of financial position of the Institute.

Future principal payments are as follows at June 30, 2019:

	Note Payable and Capital Lease	***Endowment***	***Total***
2020	$ 13,301	$ -	$ 13,301
2021	-	-	-
2022	4,389,332	310,000	4,699,332
2023	-	310,000	310,000
2024	-	310,000	310,000
Thereafter	-	2,170,000	2,170,000
Total	**$ 4,402,633**	**$ 3,100,000**	**$ 7,502,633**

Note 8 - Net Assets and Endowments

The Institute has a number of donor-restricted endowment funds established to further its educational mission. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowment. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 8 - Net Assets and Endowments (Continued)

Interpretation of Relevant Law

The Board has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as enacted in Massachusetts as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Institute tracks the original value of gifts donated to the permanent endowment, subsequent gifts to the permanent endowment and any required additions to these funds per the donor agreement. Any amounts in excess of these levels which is generally accumulated unspent gains on such funds are subject to appropriation for expenditure by the Institute via the Board of Trustees in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Institute also considers the following factors in making a determination to appropriate endowment funds:

1) The duration and preservation of the fund;
2) The purposes of the Institute and the donor-restricted endowment fund;
3) General economic conditions;
4) The possible effect of inflation and deflation;
5) The expected total return from income and the appreciation of investments;
6) Other resources of the Institute; and
7) The investment policies of the Institute.

Although UPMIFA offers short-term spending flexibility, the explicit consideration of the preservation of funds among factors for prudent spending suggests that a donor-restricted endowment fund is still perpetual in nature. Under UPMIFA, the Board is permitted to determine and continue a prudent payout amount, even if the market value of the fund is below historic dollar value. There is an expectation that, over time, the permanently restricted amount will remain intact. This perspective is aligned with the accounting standards definition that permanently restricted funds are those that must be held in perpetuity even though the historic-dollar-value may be dipped into on a temporary basis.

The Institute tracks the original value of gifts donated to the endowment, subsequent gifts to the endowment, and accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Endowment Investment Policy

As more fully described in Note 5, the Institute borrowed a total of $3,100,000 and $1,500,000 in funds from its endowment in 2019 and 2018, respectively, in addition to spending down all available investment returns to fund cash flows. Accordingly, only a modest amount of invested funds remain pending replenishment.

Note 8 - Net Assets and Endowments (Continued)

Endowment Investment Policy (Continued)

Endowment net assets were as follows at June 30:

	2019	*2018*
Without donor restrictions	$ 12,285	$ 317,285
With donor restrictions	3,219,043	3,525,893
	$ 3,231,328	**$ 3,843,178**

Endowment activity was as follows for the years ended June 30:

	2019		
	Without Donor Restrictions	*With Donor Restrictions*	*Total*
Beginning balance	$ 317,285	$ 3,525,893	$ 3,843,178
Additions	86,779	10,000	96,779
Investment return	41,371	-	41,371
Appropriation for expenditure	(433,150)	(316,850)	(750,000)
Ending balance in net assets	12,285	3,219,043	3,231,328
Less: Cumulative amounts borrowed	-	(3,100,000)	(3,100,000)
Invested balance remaining	**$ 12,285**	**$ 119,043**	**$ 131,328**

	2018		
	Without Donor Restrictions	*With Donor Restrictions*	*Total*
Beginning balance	$ 289,674	$ 3,219,043	$ 3,508,717
Investment return	27,611	306,850	334,461
Ending balance in net assets	317,285	3,525,893	3,843,178
Less: Cumulative amounts borrowed	-	(1,500,000)	(1,500,000)
Invested balance remaining	**$ 317,285**	**$ 2,025,893**	**$ 2,343,178**

Note 8 - Net Assets and Endowments (Continued)

Endowment Investment Policy (Continued)

Net assets without donor restrictions were as follows at June 30:

	2019	***2018***
Net investment in plant, net of related debt	$ (1,931,907)	$ (415,760)
Net deficit	(3,471,351)	(2,403,047)
Total	**$ (5,403,258)**	**$ (2,818,807)**

Net assets with donor restrictions were as follows at June 30:

	2019	***2018***
Endowment corpus:		
Franklin Trust	$ 1,197,419	$ 1,197,419
Other scholarship funds	2,021,624	2,021,624
Unspent accumulated earnings on:		
Franklin Trust	-	114,142
Other scholarship funds	-	192,708
Total endowment	3,219,043	3,525,893
Pledges receivable	2,001,961	2,411,861
Scholarship and other restricted	985,205	919,233
Total	**$ 6,206,209**	**$ 6,856,987**

Net assets released from donor restrictions by the occurrence of events specified by the donors or by the passage of time were as follows for the years ended June 30:

	2019	***2018***
Time restriction met	$ 1,014,900	$ 607,534
Operations and scholarships	1,094,925	432,133
Net assets released from restrictions	**$ 2,109,825**	**$ 1,039,667**

Note 9 - Retirement Plan

The Institute has a qualified defined contribution plan under Section 403(b) of the Internal Revenue Code. The Institute's annual contribution to the Plan equals 10% of compensation as defined subject to eligibility requirements such as two years of service and attaining the age of 21 subject to legal limits. Expenses relating to this plan amounted to $415,507 and $395,261 for the years ended June 30, 2019 and 2018, respectively. Employees may make additional voluntary contributions to the Plan through payroll deductions subject to legal limits.

The Institute intends, but does not promise, to pay those who were employed prior to participation in the above mentioned plan a monthly pension in recognition of prior service. The monthly pension is equal to 1% of regular monthly compensation multiplied by prior service years, as defined. No liability has been recorded in the statements of financial position, as there is no contractual or legal obligation to these employees. Payments to this group of retired employees amounted to $23,857 and $25,244 for the years ended June 30, 2019 and 2018, respectively, pursuant to a vote of the Board of Trustees.

Note 10 - Affiliated Organization

The Institute has an affiliated organization called The Franklin Institute, Inc. which was established under Internal Revenue Code Section 501(c)(3) as a nonprofit organization to raise funds to support the ongoing educational programs of the Institute. The board of this entity is made up of select members of the Institute's board. During the years ended June 30, 2019 and 2018, The Franklin Institute, Inc. did not expend any funds on behalf of the Institute. An immaterial amount of funds are held by this entity.

Note 11 - DOE Matters

The DOE computes a financial strength indicator each year based on the information in the annual financial statements. Management expects it will not pass in 2019 which normally will result in the DOE requiring a letter of credit to be posted in favor of the DOE for a percentage of student financial aid or other effects as determined by the DOE. Management expects to be able to manage any requirements as such are presented. Management also expects to meet its 2020 composite score given the expected gain on the sale of its existing real estate (see Note 3) and the increased liquidity from the sale.

The DOE conducted an FSA Compliance Assessment in 2018 which enumerated a number of areas of concern relative to the administration of financial aid. The DOE communicated the results on August 29, 2018 indicating the cost associated with the findings were minimal with the effectiveness of the Institute's correction action to be evidenced through the elimination of this finding in future assessments. The DOE has scheduled a follow up Program Review on November 4, 2019. Management believes that it is in reasonable compliance with the programs of the DOE and is working cooperatively with the DOE to ensure that it materially complies with the requirements set forth in these programs.

During 2018, the Institute settled an appeal that had been pending along with another final program determination. Such settlements were charged to non-operating expenses in the accompanying statement of activities and amounted to $194,179 for the year ended June 30, 2018.

Note 12 - Commitments and Other Contingencies

The Institute has entered into various operating lease agreements for equipment as well as leases certain facilities from time to time under short-term rental arrangements for student housing, which was not renewed in 2019. Rent expense was approximately $330,000 and $360,000 for the years ended June 30, 2019 and 2018, respectively.

Supplemental Information

BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	*Federal CFDA Number*	*Pass-Through Entity Identifying Number*	*Federal Expenditures*
Student Financial Assistance Cluster:			
Department of Education Direct Programs:			
Federal Direct Student Loans	84.268		$ 2,935,801
Federal Work-Study Program	84.033		32,297
Federal Pell Grant Program	84.063		1,765,101
Federal Supplemental Education Opportunity Grants	84.007		45,325
Total Student Financial Assistance Cluster			4,778,524
Title III Part A: Strengthening Institutions	84.031A		508,076
Total Department of Education Direct Programs			5,286,600
Department of Education Pass-Through Programs from:			
Massachusetts Department of Elementary & Secondary Education			
Career and Technical Education - Basic Grants to States	84.048	unknown	68,063
Total Department of Education			5,354,663
Total Expenditures of Federal Awards			**$ 5,354,663**

BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Benjamin Franklin Institute of Technology (the "Institute") under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Institute, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Institute.

The Institute includes loans granted under the Direct Student Loans Program as expenditures of federal awards.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Institute has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Reporting Under Government Auditing Standards

Mayer Hoffman McCann P.C.
500 Boylston Street ■ Boston, MA 02116
Main: 617.761.0600 ■ Fax: 617.761.0601
www.cbiz.com/newengland

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

The Board of Trustees
Benjamin Franklin Institute of Technology
Boston, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Benjamin Franklin Institute of Technology (the "Institute"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Institute's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies in internal control may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institute's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mayer Hoffman McCann P.C.

November 15, 2019
Boston, Massachusetts

Reporting Under the Uniform Guidance

Mayer Hoffman McCann P.C.
500 Boylston Street ■ Boston, MA 02116
Main: 617.761.0600 ■ Fax: 617.761.0601
www.cbiz.com/newengland

Independent Auditors' Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Trustees
Benjamin Franklin Institute of Technology
Boston, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited Benjamin Franklin Institute of Technology's (the "Institute") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the Institute's major federal program for the year ended June 30, 2019. The Institute's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Institute's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Institute's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Institute's compliance.

Opinion on Each Major Federal Program

In our opinion, the Institute complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002. Our opinion on the major federal program is not modified with respect to these matters.

The Institute's response to the noncompliance findings identified in our audit are described in the accompanying corrective action plan. The Institute's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Institute is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Institute's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a significant deficiency.

The Institute's response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. The Institute's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mayer Hoffman McCann P.C.

November 15, 2019
Boston, Massachusetts

BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Section 1	**Summary of Auditors' Results**

<u>Financial Statements</u>

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
2. Internal control over financial reporting:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified?	None Reported
3. Noncompliance material to financial statements noted?	No

<u>Federal Awards</u>

1. Internal control over major federal programs:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified?	Yes
2. Type of auditors' report issued on compliance for major federal programs:	Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes
4. Identification of major federal programs:	

CFDA Number	Name of Federal Program or Cluster
Cluster Program*	Student Financial Assistance Cluster

5. Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
6. Auditee qualified as a low-risk auditee?	No

* See Schedule of Expenditures of Federal Awards for a complete listing of the student financial assistance cluster programs and their related CFDA numbers.

Section 2

Financial Statement Findings

None noted.

Section 3

Federal Award Findings and Questioned Costs

2019-001

Eligibility – Student Financial Assistance Cluster, all CFDA #'s included on Schedule of Expenditures of Federal Awards, June 30, 2019 Award Year, U.S. Department of Education

Criteria or Specific Requirement

Annual Limits for Subsidized Loans: Direct Subsidized Loans have annual and aggregate loan limits, based on the student's dependency status and grade level (34 CFR 685.203 (a)(2)(i) and Student Financial Aid Handbook, Volume 3, Chapter 5, page 3-89). 2017-2018 Federal Pell Grant Payment and Disbursement Schedules. (34 CFR 690.63(g), DCL GEN-15-02 and Student Financial Aid Handbook, Volume 3, Chapter 3, page 3-45).

Condition and Context

Out of forty students selected for testing, three students were awarded a Subsidized Loan in excess of the appropriate aggregate loan limits. This was not a statistically valid sample.

Questioned Costs

$3,958 of Known Questioned Costs and $44,000 of Likely Questioned Costs related to over award of federal aid.

Cause

During the year ended June 30, 2019, the Institute converted to a new financial aid awarding software and experienced a complication in how the new software determines students' grade levels resulting in a misaward of Direct Subsidized Loans to certain students.

Effect

Students may get more aid than they are entitled to receive.

Identification as a Repeat Finding

This is a repeat finding of item reported previously as 2018-004.

Section 3 (Continued)

Federal Award Findings and Questioned Costs (Continued)

2019-001 (Continued)

Recommendation

The Institute should put procedures in place to ensure students' grade levels are appropriately determined for purposes of determining the correct amount of Direct Subsidized Loans to be awarded to students.

Views of Responsible Officials and Planned Corrective Actions

See Corrective Action Plan.

2019-002

Finding – Special Tests and Provisions: Return of Title IV Funds – Student Financial Assistance Cluster, all CFDA #'s included on the Schedule of Expenditures of Federal Awards, June 30, 2019 Award Year, U.S. Department of Education.

Criteria or Specific Requirement

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student, the difference must be returned. Returns of Title IV funds are required to be deposited or transferred into an SFA account or electronic fund transfers initiated to ED or the appropriate FEEL lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. (34 CFR Sections 668.22 and 668.173).

Condition and Context

Out of the core testing cohort of forty students, there were six instances of refunds. Of the six refunds, two students did not have monies returned to the Department of Education in the required 45 day time limit. This is not a statistically valid sample.

Questioned Costs

None noted.

Cause

There does not appear to be a sufficient review process in place to ensure Title IV funds are timely returned to ED.

Section 3 (Continued)

Federal Award Findings and Questioned Costs (Continued)

2019-002 (Continued)

Effect

The Institute's refunds of Title IV funds may be late leaving amounts retained by the Institute that should not have been for longer than allowable per Federal regulation.

Identification as a Repeat Finding

This is a repeat finding of item reported previously as 2018-002.

Recommendation

The Institute should put procedures in place to ensure that Title IV return calculations are reviewed for correct inputs and information and that all returns calculated are returned to ED within the required time period.

Views of Responsible Officials and Planned Corrective Actions

See Corrective Action Plan.

BENJAMIN FRANKLIN
INSTITUTE OF TECHNOLOGY
YOUR PATHWAY TO SUCCESS

Corrective Action Plan and Summary Schedule of Prior Audit Findings

Year Ended June 30, 2019

Corrective Action Plan

2019-001

Eligibility – Student Financial Assistance Cluster, all CFDA #'s included on Schedule of Expenditures of Federal Awards, June 30, 2019 Award Year, U.S. Department of Education

Condition

Out of forty students selected for testing, three students were awarded a Subsidized Loan in excess of the appropriate aggregate loan limits. This was not a statistically valid sample.

Views of Responsible Officials and Planned Corrective Actions

Management is in agreement with the finding.

Benjamin Franklin Institute of Technology (BFIT) performed a full file review for all students awarded federal aid in FY 2019. All discrepancies have been identified and appropriate corrections were made to the students Federal Direct Subsidized Loan(s) to align the loan limits to the correct student level in school.

The following controls have been developed and implemented as of September 30, 2019 to monitor this process going forward:

1. A Student Level Comparison Report has been created and will monitor and identify changes that would result in excess funds awarded to students
2. This report will be reviewed by the management in the Financial Aid Office weekly and appropriate corrections made in PowerFAIDS. The corrections will "lock" the student level on a term by term basis, keeping the student aligned with the award of Federal Subsidized Loan funds.
3. The results of this process will be reviewed with the CFO quarterly
4. This procedure will prevent this as a finding on future audit

Responsible Official: Jamie Santiago, Director of Student Financial Aid

Completion Date: Fall 2019

BENJAMIN FRANKLIN
INSTITUTE OF TECHNOLOGY
YOUR PATHWAY TO SUCCESS

Corrective Action Plan and Summary Schedule of Prior Audit Findings

Year Ended June 30, 2019

Corrective Action Plan (Continued)

2019-002

Finding – Special Tests and Provisions: Return of Title IV Funds – Student Financial Assistance Cluster, all CFDA #'s included on the Schedule of Expenditures of Federal Awards, June 30, 2019 Award Year, U.S. Department of Education.

Condition

Out of the core testing cohort of forty students, there were six instances of refunds. Of the six refunds, two students did not have monies returned to the Department of Education in the required 45 day time limit. This is not a statistically valid sample.

Views of Responsible Officials and Planned Corrective Actions

Management is in agreement with the finding.

Benjamin Franklin Institute of Technology completed a full review of all students in the population on September 30, 2019. The institution has confirmed that all funds have been returned to the Department of Education as required.

The following controls have been developed and implemented as of September 30, 2019 to monitor this process going forward:

1. The institution has created a weekly Attendance Monitoring Report that will identify students that have dropped below the attendance threshold. The Office of Financial Aid will work with the Registrars Offices to determine the last date of attendance. From there, the Office of Financial Aid will make the appropriate adjustment to financial aid.
2. The Director of Financial Aid and Assistant Dean of Records and Research will meet on a bi-monthly basis to review all withdrawal date changes and to confirm that R2T4 process has been performed and refunds are returned within the required 45 day timeline. The actual return of funds will be confirmed with the Business Office
3. The results of this process will be reviewed with the CFO quarterly
4. This procedure will prevent this as a finding on future audits.

Responsible Official: Jamie Santiago, Director of Student Financial Aid

Completion Date: Summer 2019

BENJAMIN FRANKLIN
INSTITUTE OF TECHNOLOGY
YOUR PATHWAY TO SUCCESS

Corrective Action Plan and Summary Schedule of Prior Audit Findings

Year Ended June 30, 2019

Summary Schedule of Prior Audit Findings

2018-001

Finding – Financial Reporting

Condition

While there have been improvements in the current year, the summer reporting session receivables and deferred revenue continue to require year-end adjustments to properly state values.

BENJAMIN FRANKLIN
INSTITUTE OF TECHNOLOGY
YOUR PATHWAY TO SUCCESS

Corrective Action Plan and Summary Schedule of Prior Audit Findings

Year Ended June 30, 2019

Summary Schedule of Prior Audit Findings (Continued)

2018-002

Finding - Special Tests and Provisions: Return of Title IV Funds - Student Financial Assistance Cluster, all CFDA #'s included on the Schedule of Expenditures of Federal Awards, June 30, 2018 Award Year, U.S. Department of Education.

Condition

Out of the core testing cohort of forty students, there were fifteen instances of refunds. Of the fifteen refunds, seven issues were noted. One student did not have monies returned to the Department of Education in the required 45 day time limit. One student had a different amount of monies returned than the amount calculated on the R2T4 return calculation. Also, there were instances noted while reviewing return calculation forms where the Institute was using incorrect withdrawal dates, incorrect days completed, and incorrect Title IV aid input amounts that are used to determine whether a return of funds is required and, if so, how much. In five of the six cases where input amounts were incorrect, it was determined that when changed to the correct input factors the amount of the return of funds was different than the amount returned to the Education Department. This is not a statistically valid sample.

Status

This has been a repeat finding for this year and the college has addressed the instance for this occurring. With the new controls in place with the new software system and bi-monthly meetings with the Director of Financial Aid and Assistance Dean of Records and Research, the institution is confident this will no longer be a finding in future audits.

BENJAMIN FRANKLIN
INSTITUTE OF TECHNOLOGY
YOUR PATHWAY TO SUCCESS

Corrective Action Plan and Summary Schedule of Prior Audit Findings

Year Ended June 30, 2019

Summary Schedule of Prior Audit Findings (Continued)

2018-003

Finding – Reporting: Financial Reporting Pell Payment Data – Student Financial Assistance Cluster, Federal Pell Grant Program, CFDA #84.063 and Special Tests and Provisions: Borrower Data Transmission and Reconciliation – Federal Direct Student Loans Program, CFDA #84.268, June 30, 2018 Award Year, U.S. Department of Education.

Condition

Out of eighty (forty Pell & forty Direct Loans) selections for testing, 8 issues were noted. Four Pell disbursements and one loan disbursement had amounts reported to the COD that was other than the amount on the student account statement. Two loan disbursements had a date of disbursement reported to the COD that was other than the date of disbursement shown on the student's account statement. One Pell disbursement was reported to the COD beyond the 15 day requirement. This is not a statistically valid sample.

Status

This was not a finding in the current year. The controls surrounding compliance with COD reporting have been updated.

BENJAMIN FRANKLIN
INSTITUTE OF TECHNOLOGY
YOUR PATHWAY TO SUCCESS

Corrective Action Plan and Summary Schedule of Prior Audit Findings

Year Ended June 30, 2019

Summary Schedule of Prior Audit Findings (Continued)

2018-004

Eligibility - Student Financial Assistance Cluster, all CFDA #'s included on Schedule of Expenditures of Federal Awards, June 30, 2018 Award Year, U.S. Department of Education

Condition

Out of forty students selected for testing, 9 issues were noted for 5 students. Two students were awarded a Subsidized Loan in excess of the appropriate aggregate loan limits. One student was awarded a Subsidized Loan in excess of the appropriate program (Certificate) limit. One student was awarded an Unsubsidized Loan in excess of the appropriate aggregate combined loan limits. One student was under awarded an Unsubsidized Loan. Three students were under awarded PELL and one student was over awarded PELL. This was not a statistically valid sample.

Status

Benjamin Franklin Institute of Technology has performed a full review on all students for the prior year and current year, all corrections have been made, and adjustments have been completed with the Department of Education. No exceptions have been found in this academic year and the institution is confident the corrective action will prevent this finding in the future.